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ED/EC M-231

April 17, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

2:00 p.m., Monday, April 15, 1957
Room 1213 Maiatico

Attendance:

MDAC

Mr. Hale, Chairman
Mr. Levin
Mr. Kramer, Executive Secretary
Mrs. Lese, Committee Secretary

CIA

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Commerce

Mr. Hockersmith
Mr. George

Defense

Mr. Martino

ICA

Mr. Slaght

State

Mr. Wright
Miss Worthing

Treasury

Mr. Pollak

Agenda

1. Consideration of Defense papers re Machine Tools and Electric Furnaces.
2. Consideration of Paris report on April 12 CHINCOM meeting. (Ref. POLTO 2446, 4/13/57)
3. Recapitulation of preparation necessary for EDAC.

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1. Consideration of Defense papers re Machine Tools and Electric Furnaces.

a. Machine Tools

Decision

The Executive Committee examined the Defense revised proposal on machine tools and the impression of the majority of the members was that it seemed to be covered by a rationale which is different from the rationale of our general package; that the majority of the members considered that making a recommendation as outlined by Defense would prejudice the hope that we have of our "package" being bought on the rationale of the other 40 items; that it was the Executive Committee decision that EDAC would have to settle this matter because it cannot be agreed in this Committee.

Discussion

The Executive Committee Chairman in discussing the paper submitted by Defense in support of its views on machine tools said that it had been his hope that the redeveloped rationale would fit within the general concept which covers the other items selected. He did not feel that the revised proposal met this requirement and asked the Defense member to comment on his agency's recommendation.

The Defense member said they had attempted to clarify some of the questions which had been raised at the recent EDAC meeting with respect to the transfer of items from the China differential to List III. This matter was thoroughly discussed in Defense at a top level. Defense is convinced that machine tools are in short supply in Communist China, hence, it was their conclusion that machine tools should be completely embargoed to Communist China. They are willing to assist the State negotiators to accomplish this end.

The ICA member stated that, in his judgment, if this item is included in the listing it will weaken the U. S. chances in negotiation.

The Commerce member shared the ICA view. He expressed the opinion that if we attempt to ask for extension of the control over machine tools beyond that which is now proposed we will damage our case, and our chances of a successful negotiation, which are already quite slim, will be still further impaired.

With regard to para. 2, page 2, of the Defense revised paper on machine tools, the Chairman said that a proposal of this kind, which only affects IL III may be ruled out of order by the Chairman of COCOM when presented by the USDel.

The Defense member felt the point was well taken and suggested that the recommendations contained in that portion of the paper (para. 2, page 2) could be held in abeyance. He noted that Defense could not agree to dropping the present coverage of C-001 until the List III proposed changes had been made.

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The Commerce member noted that Defense is recommending that C-001 be transferred in toto to IL III. He suggested that if this is the Defense intent, the simplest way would be to have the definition on List III read "all machine tools n.e.s.". It was pointed out, however, that this type of listing would not result in COCOM reports on each as Defense desired.

The Committee felt that this problem would have to be referred to EDAC. The Chairman raised the point that a method of negotiating this item will have to be devised if adopted by EDAC. He asked whether the Executive Committee should make some suggestion to EDAC concerning its inclusion with the other selected items. The Defense member replied that he would have to check further with his agency and would report back to the Committee.

b. Electric Furnaces

Decision

The Executive Committee reviewed the revised Defense paper on electric furnaces and found that the Committee cannot accept this as being an item readily embraced under the rationale for the whole recommendation that has been made; that the matter must be settled by EDAC as to whether or not the item should be added to the package. There was no strong supporter for the Defense position. The Executive Committee was not in sympathy with the Defense paper because there has been no demonstration that the Sino-Soviet bloc is incapable of meeting the demands for electric furnaces within the bloc (including Communist China).

Discussion

The Chairman noted that the rationale for electric furnaces as presented in the Defense revised paper is broader and more general than the rationale of the basic study. He felt no case could be made on the grounds of bloc shortage of this item or their incapability to meet their need for this commodity under current conditions.

The Defense member said there is going to be a growing demand for electric furnaces to produce ferrous alloys in the near future. The Defense view is that it is a very important item, needs to be controlled, and they feel it should be negotiated for control.

When a member suggested that a case had not been made, the Defense member replied that Defense was prepared during the negotiations to give all of the evidence necessary. It was suggested that the needed power and scarce alloy materials were virtually all under very tight control.

The Ad Hoc Working Group Chairman reported that this item had been carefully considered and that a detailed conclusion had been reached to drop the item from consideration.

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2. Consideration of Paris report on April 12 CHINCOM meeting.
(Ref. POLTO 2446, 4/13/57)

Decision

The members would study the State draft circular instruction and submit suggestions and comments to the State member.

Discussion

The Chairman called attention to POLTO 2446, the message received from Paris following the CHINCOM meeting of April 12, and asked the State member to give some reflection of the impact the message has had on the Department. He also asked for suggestions which the Executive Committee could follow in undertaking the job assigned to it by EDAC.

The State member said the picture is clear. No part of the French proposal is acceptable and therefore the Department feels that we should go forward with the proposal we have worked out. The British have already been informed and the other PCs will also be notified about our proposal. We will also make known to them our willingness to provide a list of commodities in advance of the CHINCOM discussions if they so desire. Because of this requirement to provide an advance list he was concerned with the machine tool and electric furnace problems. A solution was necessary as soon as possible. The State member presented a draft instruction stating what Washington is planning to do, and setting forth the line which will be taken with the other countries. He asked the members for suggestions and clearance on this outgoing message.

The Chairman inquired whether the Executive Committee was prepared to tell State that, for the purposes of the bilaterals, they may use the present list which Commerce has provided (adding the Defense definition as submitted) with the understanding that the EDAC consideration we are requesting will have effect on the U. S. presentation in CHINCOM? Will State find it agreeable to present these lists, including machine tools and electric furnaces, with the notation that the U. S. still has two or three items under review and, consequently might change the list prior to submission to CHINCOM?

The State member replied this might give the impression that there is greater elasticity than exists and it might give other countries the idea they can bargain with us. They may think we have more flexibility than we actually have.

The Chairman remarked that the Ad Hoc Working Group's activities will be concluded within the next day or two, hence, this matter could be put before EDAC on Thursday or Friday. The EDAC decision could be incorporated in a new chart for distribution on Monday, April 22.

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3. Recapitulation of preparation necessary for EDAC.

The Chairman called attention to matters to be prepared for EDAC consideration at a meeting later this week.

a. He asked the State member to notify the chair as soon as the pouch documents reporting on the April 12 CHINCOM meeting are received; copies will be made and distributed to the members for discussion at an Executive Committee meeting to be held at an early date. After ascertaining the reaction of the group, the Committee will decide upon the nature of the required report to EDAC.

b. The problem of machine tools and electric furnaces will also be submitted for the consideration of EDAC.

The Chairman urged that the necessary documentation be ready for consideration by EDAC on April 18 or 19 at the latest.

Distribution:

ED List Parts I & II
WG I (Limited)

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